

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, Suite 1700
Sacramento, California 95814**

**File No. RH01018367
January 22, 2002**

SUBJECT: AUTOMOBILE INSURANCE CONSUMER SERVICES ASSESSMENT

INITIAL STATEMENT OF REASONS

The Insurance Commissioner of the State of California (Commissioner) proposes to add Subchapter 10, Article 4, Section 2698.68 of Title 10, Chapter 5 of the California Code of Regulations (CCR) regarding the assessment for the funding of consumer services functions relating to automobile insurance. The purpose of the proposed adoption is to implement, interpret and make specific the provisions of the California Insurance Code (CIC) section 1872.81 requiring the Commissioner to assess automobile insurers to fund consumer services functions of the California Department of Insurance (Department) relating to automobile insurance.

DESCRIPTION OF THE PUBLIC PROBLEM

The Commissioner proposes to add Subchapter 9, Article 5, Section 2698.68, Title 10, Chapter 5 of the CCR regarding the program for assessing insurers for the purpose of funding the consumer services functions of the Department relating to automobile insurance. The purpose of the proposed addition is to implement, interpret and make specific the provisions of the CIC section 1872.81 which requires the Commissioner to assess automobile insurers \$.30 to fund the Department's consumer service functions relating to automobile insurance.

SB 940, Chapter 884, Statutes of 1999, was signed by the Governor on October 9, 1999. SB 940, inter alia, added CIC 1872.81. CIC section 12921 requires the Commissioner to enforce the provisions of the Insurance Code and other laws regulating the business of insurance in the State of California. CIC section 1872.81, requires the Commissioner to establish an annual assessment on each automobile for which a policy of insurance has been issued in order to fund the Consumer services function of the Department relating to automobile insurance, specifically including the rating and underwriting services bureau, the claims services bureau, the investigations bureau or any successor bureaus of the department that may assume the consumer services functions of these bureaus.

The proposed addition is necessary to implement, interpret and make specific the provisions of CIC sections 1872.81 and to conform the methodology for calculating and collecting the assessment with that currently employed in the related provisions of title 10, CCR sections 2698.61 and 2698.62. The proposed action would specify the criteria for the calculation and payment of the annual assessment.

STATEMENT OF SPECIFIC PURPOSE

The specific purpose of each adoption, and the rationale for the determination that each adoption is reasonably necessary to carry out the purpose for which it is proposed, together with a description of the public problem, administrative requirement, or other condition or circumstance that each adoption is intended to address, is as follows:

Section 2698.68

Adds text to the CCR referencing a methodology to be used in calculating and collecting the proscribed assessment.

Rational for Necessity: CIC section 1872.81 requires that every insurer doing business in this state pay \$.30 for each vehicle it insures under a policy of insurance in this state. This statute does not prescribe the methodology to use in calculating the assessment. This section makes clear and specific a method for the assessment as set forth in statute. Consistent with the provisions of a similar assessment program, this subsection provides that insurers may “annualize” their payment of the assessment over the period of the year in quarterly increments. This section expressly incorporates the methodology for calculating and collecting the assessment as set forth 10 CCR section 2698.62. Conforming these provisions to a existing related program is efficient and provides an ease of administration by both insurers and CDI. Providing a uniform methodology for the calculation prevents an unnecessary expense otherwise needed to operate disparate assessment procedures.

IDENTIFICATION OF STUDIES

The Commissioner has not relied on any technical, theoretical, or empirical study or report, or similar document, proposing the adoption of these regulations.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of this regulation as proposed would not mandate the use of specific technologies or equipment.

ALTERNATIVES

These regulations are being amended to make more specific and clear both the provisions of the enabling statute and existing regulatory scheme as well as to conform the provisions of this assessment program to a related but distinct existing assessment program. No other alternatives are considered available to accomplish these goals.

CALIFORNIA DEPARTMENT OF INSURANCE

/s/

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